

## FEDERAL RESERVE SYSTEM

Green Dot Corporation  
Monrovia, California

### Order Approving the Formation of a Bank Holding Company

Green Dot Corporation (“Green Dot”), Monrovia, California, has requested the Board’s approval under section 3 of the Bank Holding Company Act of 1956, as amended (“BHC Act”),<sup>1</sup> to acquire Bonneville Bancorp (“Bonneville”) and thereby indirectly acquire Bonneville’s wholly owned subsidiary bank, Bonneville Bank (“Bank”), both of Provo, Utah.<sup>2</sup> Green Dot and Bonneville also have filed with the Board elections to become financial holding companies on consummation of the proposal pursuant to sections 4(k) and (l) of the BHC Act and section 225.82 of the Board’s Regulation Y.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (75 Federal Register 7598 (February 22, 2010)). The time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

Green Dot, with total consolidated assets of approximately \$322 million, provides bank-issued, general-purpose reloadable prepaid debit cards (“GPR cards”)<sup>4</sup> and provides settlement services for prepaid debit cards. Green Dot’s GPR cards are network branded and are linked to pooled accounts that are held at depository institutions and insured by the Federal Deposit Insurance Corporation (“FDIC”). Green Dot sells its

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> Bonneville and Bank would be renamed Green Dot Bancorp and Green Dot Bank on consummation of the proposal.

<sup>3</sup> 12 U.S.C. §§ 1843(k) and (l); 12 CFR 225.82.

<sup>4</sup> Green Dot also offers private-label programs to retailers.

GPR cards through national retail chains and on the Internet.<sup>5</sup> Green Dot's GPR cards currently are issued by third-party banks that maintain accounts on behalf of Green Dot's customers.

Green Dot proposes that Green Dot Bank issue Green Dot GPR cards linked to FDIC-insured accounts and provide settlement services.<sup>6</sup> Green Dot Bank's settlement services would include collecting funds generated from sales of Green Dot GPR cards and related products, distributing funds to issuing banks for cards serviced by Green Dot, and distributing funds to other banks for Green Dot Network<sup>7</sup> acceptance partners. Green Dot would provide administrative services to Green Dot Bank, such as human resources, accounting and tax, marketing, and information technology, and infrastructure services under an intercompany service agreement.<sup>8</sup> Green Dot does not propose to engage in other activities to any significant extent.

Bank, with total assets of approximately \$35.7 million, is the 60<sup>th</sup> largest insured depository institution in Utah, controlling deposits of approximately

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<sup>5</sup> A large majority of Green Dot's GPR cards are sold through a single retail chain. The structure of the current agreement between the retail chain and Green Dot appears designed to encourage the parties to continue their business relationship and more closely align the financial interests of the two companies.

<sup>6</sup> Green Dot expects to complete the transfer of its GPR card operations within twelve to eighteen months after consummation of the proposed transaction. Bank would retain its existing assets and liabilities and would continue to engage in current lending activities as well as prepaid card activities.

<sup>7</sup> Green Dot Network is a scalable technology platform and payments network that supports card sales, purchases, and reloading services to cardholders, retailers, and issuing banks.

<sup>8</sup> The provision of such services must comply with the restrictions of sections 23A and 23B of the Federal Reserve Act and the Board's Regulation W on affiliate transactions. 12 U.S.C. §§ 371c, 371c-1; 12 CFR part 223.

\$29.6 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.<sup>9</sup> On consummation of the proposal, no company would own 10 percent or more of Green Dot's shares.

### Competitive Considerations

The Board has considered carefully the competitive effects of the proposal in light of all the facts of the record. Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>10</sup>

Green Dot does not currently control a depository institution. Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.

### Financial, Managerial, and Supervisory Considerations and Future Prospects

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors.<sup>11</sup> The Board has considered those factors in light of all the facts of record, including supervisory and examination information received from the relevant federal and state supervisors of the organizations involved, and publicly reported and other available financial information,

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<sup>9</sup> Asset data are as of June 30, 2011. Deposit and ranking data are as of June 30, 2011, and reflect merger activity through that date. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

<sup>10</sup> 12 U.S.C. § 1842(c)(1).

<sup>11</sup> 12 U.S.C. § 1842(c)(2) and (3).

including information provided by Green Dot. In addition, the Board has consulted with the state and primary federal supervisors of Bank. The Utah Department of Financial Institutions (“Utah DFI”) and FDIC have not objected to Green Dot’s proposal. The Board has considered the BHC Act factors and related information in light of Green Dot’s proposal that Green Dot Bank’s operations would be substantially focused on the prepaid card business.

In evaluating financial factors, the Board consistently has considered capital adequacy to be an especially important aspect. Green Dot, Bonneville, and Bank are well capitalized. In addition, Green Dot would make an initial cash injection of \$13.6 million in Bank from cash on hand and would maintain a tier 1 leverage ratio of at least 15 percent at Green Dot Bank for five years after consummation. Green Dot has no long-term debt. The Board has consulted with the FDIC and Utah DFI regarding these required capital levels. Green Dot would remain well capitalized on consummation of the proposal. In connection with the proposal to issue its GPR cards through and settle its GPR card transactions at Green Dot Bank, Green Dot has committed to maintain, at Green Dot and/or Green Dot Bank, cash and/or cash equivalents equal to the amount of insured deposits at Green Dot Bank generated through its GPR card operations. The Board also has taken into account Green Dot’s record of offering GPR cards to the public, the company’s financial strength, and the company’s ability to serve as a source of strength to Green Dot Bank. The Board has reviewed Green Dot’s operating plan for Green Dot Bank and Green Dot’s projections that Green Dot and Green Dot Bank would be able to remain well-capitalized and profitable even under certain stress scenarios that could negatively affect the prepaid card operations that would be conducted at Green Dot and Green Dot Bank.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Bonneville and Bank and has conducted inspections

of Green Dot,<sup>12</sup> including assessments of its current management, risk-management systems, and operations. The Board also has considered the supervisory experience of the other relevant banking agencies with the organizations, including their records of compliance with applicable banking and anti-money-laundering laws.<sup>13</sup> In addition, the Board has considered Green Dot's plans for implementing the proposal and for the proposed management of the organizations involved after consummation. Moreover, the Board has considered information regarding Green Dot's enterprise-wide risk-management program collected by examiners with the Federal Reserve, FDIC, and Utah DFI. The Board has also considered that Green Dot has retained management with significant experience in the prepaid card industry as well as management experienced in commercial and community banking.

In addition, the Board has considered the future prospects of Green Dot, Bonneville, and Bank in light of the financial and managerial resources and the proposed business plan. As noted, Green Dot Bank's business activity would be focused narrowly on the issuance of GPR cards. A business plan that focuses on a narrow business activity<sup>14</sup> and depends on a limited number of key business partners carries significantly greater risks than a business plan that employs broad diversification of activities and counterparties. The Board expects banking organizations with a narrow focus to address these increased risks with financial resources, managerial systems, and expertise commensurate with that additional level of risk. In this case, the Board has relied on the significant level of capital that Green Dot and its bank will have on consummation and

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<sup>12</sup> The Federal Reserve Bank of San Francisco, FDIC, and Utah DFI conducted on-site reviews of Green Dot's operations in connection with the proposal.

<sup>13</sup> Green Dot is currently registered with the United States Treasury Department's Financial Crimes Enforcement Network as a Money Service Business and files Suspicious Activity Reports and Currency Transaction Reports.

<sup>14</sup> Green Dot has committed to balance Green Dot Bank's GPR card deposits with equal levels of cash or cash equivalents at Green Dot or Green Dot Bank. Accordingly, the proposal does not appear to present increased credit risk associated with narrowly focused business plans that are dependent on one asset category, such as a particular type of lending. As discussed below, the Board has considered the risks posed by Green Dot's business plan in light of its proposal to mitigate such risks, including its commitments.

Green Dot's commitment to maintain Green Dot Bank as well capitalized with a tier 1 leverage ratio of at least 15 percent for five years after consummation. This capital level is well in excess of the tier 1 leverage ratio needed to be considered well capitalized but is appropriate in light of the single focus of Green Dot and Green Dot Bank's activity. Green Dot has committed that Green Dot Bank will not pay dividends for three years after consummation of the proposal. The Board has also considered that Green Dot Bank's primary source of deposits would be the funds associated with GPR cards purchased by individuals, which Green Dot has committed to balance with equal levels of cash or cash equivalents. In addition, the Board has considered Green Dot's enterprise-wide risk-management program and Green Dot's retention of management with significant experience in the prepaid card industry as well as management experienced in commercial and community banking.

On this basis, including the commitments made by Green Dot to the Board, the Board has concluded that considerations relating to the financial and managerial resources and future prospects involved in the proposal are consistent with approval, as are the other supervisory factors.

#### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").<sup>15</sup> The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, in evaluating banking proposals.<sup>16</sup>

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<sup>15</sup> 12 U.S.C. §§ 2901-2908; 12 U.S.C. § 1842(c)(2).

<sup>16</sup> 12 U.S.C. § 2903.

The Board has considered carefully all the facts of record, including evaluations of the CRA performance record of Bank, information provided by Green Dot, and confidential supervisory information. Bank has received a “satisfactory” rating at its most recent CRA performance evaluation by the FDIC, as of May 21, 2007. To ensure that Bank will continue to meet its CRA obligation in the Provo community, Green Dot has committed to submit a proposed strategic plan for Green Dot Bank to its primary federal regulator within six months of consummation of the proposal.<sup>17</sup> Green Dot also has stated that Bank would maintain its current level of lending to its local community.

On May 19, 2011, the Office of the Attorney General of Florida (“Florida AG’s Office”) announced that it is investigating five prepaid debit card companies, including Green Dot, for possible deceptive and unfair practices. The Board has consulted with the Florida AG’s Office regarding this matter and has been advised by that office that Green Dot is fully cooperating with the investigation.<sup>18</sup> Green Dot has also represented that it is developing and will issue GPR cards with improved disclosures that are designed to address the matters raised by the Florida AG’s Office and to comply with Florida law.

Based on a review of the entire record, the Board has concluded that convenience and needs considerations and the CRA performance record of Bank are consistent with approval of the proposal.

#### Financial Holding Company Elections

As noted, Green Dot and Bonneville have filed elections to become financial holding companies pursuant to sections 4(k) and (l) of the BHC Act and section 225.82 of the Board’s Regulation Y. Green Dot and Bonneville have certified

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<sup>17</sup> Under the strategic plan alternative, a bank is required to develop a plan, using input from members of the public in the bank’s assessment area(s), that provides measurable goals for meeting the credit needs of the bank’s assessment area(s). See e.g., 12 CFR 228.27. The bank’s primary federal regulator is responsible for evaluating the plan and, if approved, the bank’s success in achieving the goals of the approved plan.

<sup>18</sup> The Board’s action on this application does not limit in any manner the authority of the State of Florida to take any action that it considers appropriate with respect to Green Dot.

that Bank is well capitalized and well managed and have provided all the information required under Regulation Y. Green Dot and Bonneville have also certified that they are well capitalized and well managed, pursuant to section 4(*l*) of the BHC Act, as amended by section 606 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.<sup>19</sup> Based on all the facts of record, the Board has determined that the elections of Green Dot and Bonneville to become financial holding companies will become effective on consummation of the proposal, if on that date Green Dot, Bonneville, and Bank remain well capitalized and well managed and if Bank has received a rating of at least “satisfactory” at its most recent performance evaluation under the CRA.

#### Financial Stability

As required by section 3 of the BHC Act, the Board has considered the effects of the proposal on the stability of the United States banking or financial system.<sup>20</sup> Based on a review of the entire record, the Board has concluded that the proposal would not result in greater or more concentrated risks to the stability of the United States banking or financial system.

#### Conclusion

Based on the foregoing, and in light of all facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered the application record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board’s approval is specifically conditioned on compliance by Green Dot with all the conditions imposed in this order and the commitments made to the Board in connection with the application. For purposes of this action, those conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

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<sup>19</sup> Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1843(*l*)(1).

<sup>20</sup> Section 604 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1842(c)(7).

The proposed transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>21</sup> effective November 23, 2011.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>21</sup> Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Tarullo and Raskin. Voting against this action: Governor Duke.

Dissenting Statement of Governor Duke

I am not in favor of approving this application. As a general matter, I have concerns about business plans that focus narrowly on one or a few products. Companies with narrow business plans face risks that are different than those faced by more diversified companies and are more vulnerable to unexpected shocks. In this case, I have specific concerns about the risks presented by Green Dot's proposal to implement a business plan at Green Dot Bank focused on the issuance of general-purpose, reloadable prepaid debit cards ("GPR cards").

Green Dot's proposal to implement a business plan at Green Dot Bank predominantly focused on issuing GPR cards would directly tie the future prospects of Green Dot to success in the specialized market for prepaid debit cards. The prepaid debit card industry is subject to various risks, including the possibility that the technology currently employed by industry participants could become obsolete, that consumers' demand for prepaid debit cards as an alternative to more traditional banking products and services could decline, that potential legislative or regulatory changes could reduce or eliminate the profitability of issuing prepaid debit cards, and that competition in the prepaid debit card industry may increase as a result of full-service banking organizations entering the market. In addition, the business model employed by prepaid debit card providers, including the model employed by Green Dot, involves significant exposure to operational, concentration, consumer, counterparty, settlement, and compliance risks. Moreover, in addition to the increased risks presented by a business plan focused on a narrow business activity, Green Dot currently relies on a single retail partner for a large majority of its revenues, and a loss of the relationship would have a materially adverse impact on Green Dot's revenues.

Furthermore, I do not believe that the steps Green Dot proposed to mitigate risk, including its commitments that Bank would maintain increased capital levels for five years and refrain from paying dividends for three years and its commitment to maintain certain levels of cash and cash equivalents, adequately address the risks posed by Green Dot's proposal to operate Green Dot Bank primarily as a GPR card issuer.

These commitments may increase the ability of Green Dot to absorb losses, but they do not address the fundamental source of the risk posed by Green Dot's narrow business plan and, consequently, do not actually reduce the risks associated with that business plan.

For these reasons, in my view the considerations related to the future prospects of Green Dot and Green Dot Bank are not consistent with approval.

Accordingly, I would deny this proposal.

November 23, 2011